

**TERMS AND CONDITIONS OF THE  
2008 HOMEOWNERSHIP BOND PROGRAM**

June 25, 2008

(1) Each Mortgage Loan shall be either insured by FHA under Section 203(b) of the National Housing Act, guaranteed by RD under Title V of the Housing Act of 1949, guaranteed by the VA under Section 810, Chapter 37 of Title 38, U.S. Code, insured by Genworth Financial Mortgage's Insurance under Home Openers Monthly Plus, or approved as a Deep Equity Loan.

(2) The fixed rate of interest on the Mortgage Loans shall be set by the Board. Two rates will be established. One with points paid by MBOH rather than the borrower, currently 6.5%, and a slightly lower rate where borrowers pay the points, currently 6.375%. In the case of the lower rate, the borrower pays up to 1.5 points (one percent origination fee and one/half percent discount fee) **(rate is subject to change at Board's discretion)**.

(3) The term of the Mortgage Loans shall be 30 years and such Mortgage Loans shall provide for complete amortization by maturity by equal monthly payments of principal and interest.

(4) The Servicer may deduct a monthly servicing fee at the annual rate shown in the chart below of the outstanding principal balance of Mortgage Loan. The servicing fee factor will be determined by the interest rate. The factor for the 6.5% rate at the .375% fee is .05769 and at the .25% fee it's .03846. At the 6.375% rate, the .375% factor is .05882 and .25% is .039215.

(5) The acquisition cost of a Residence being financed by a Mortgage Loan shall include cost of completing the residence and unpaid SID assessments and must not exceed the limits on Exhibit B.

(6) Except for Mortgage Loans on Residences located in certain targeted areas and for qualified veterans as defined in the U.S. tax code, the mortgagor shall not have owned a principal residence at any time during the three-year period preceding the date of execution of the Mortgage Loan.

(7) The three-year prior homeownership requirement is not applicable in certain targeted areas. Targeted areas are defined in Section 143 of the Internal Revenue Code of 1986, as amended, to include census tracts with population and income characteristics specified and other areas of chronic economic distress meeting criteria set forth and approved as targeted areas by the Secretaries of the United

States Department of Treasury and Department of Housing and Urban Development. The following areas are currently designated as Targeted Areas.

Blaine County  
Sanders County  
Deer Lodge County  
Silver Bow County  
Flathead County  
Daniels Co-Census Tract 9402  
Mineral County  
Sheridan Co-Census Tract 9402  
Missoula County  
City of Great Falls  
Choteau Co-Census Tract 9401  
Yellowstone Co-Census Tract 0003  
Hill County

(8) The Residence to be financed shall be occupied as the mortgagor's principal residence, and no more than 15% of the total area of the residence may be used in a trade or business.

(9) Refinancings of existing Mortgage Loans are not eligible for purchase by the Board. Refinancings of construction period loans or other interim financings which have a term of 24 months or less are not considered refinancings of existing Mortgage Loans.

(10) Recapture tax provisions will apply.

(11) A mortgagor can be obligated on only one Montana Board of Housing loan at a time.

(12) Mortgage funds available under the program will be placed into two pools, one for FHA and VA loans, the other for RD, private mortgage insurance, and Deep Equity Loans. Mortgage Lenders may reserve funds in these pools on a loan-by-loan, first-come, first-served basis. An eligible Mortgage Lender desiring to reserve funds must submit (1) the Mortgage Loan Reservation/Confirmation Report (BOH Form 99); (2) a copy of an executed FHA/RD/VA Loan Application or other complete loan application used by the Mortgage Lender; (3) verification of Annual Family Income; (4) a copy of an executed Buy/Sell Agreement; and (5) signed Recapture Notice to Mortgagor. Upon receipt of such documents or equivalent information electronically through "Lender-On-Line" over the Internet, the Board may reserve bond proceeds for 60 days to acquire Mortgage Loans on existing housing and 180 days to acquire Mortgage Loans for new construction. Such period may be extended upon payment of an additional one-fourth of one percent (0.25%) of the loan

amount for each 30-day extension, which shall only be paid by the Mortgage Lender.

(13) For purposes of applying the federal income requirements, the "Actual Gross Annual Income" of a mortgagor is the mortgagor's annualized gross income. Annualized gross income includes any and all income of the mortgagors and any other person who is expected to both live in the financed Residence and to be secondarily liable on the Mortgage Loan. (Exhibit I to the Mortgage Purchase and Servicing Guide) located at [http://commerce.state.mt.us/housing/Hous BOH SF IncomeGuide.asp](http://commerce.state.mt.us/housing/Hous%20BOH%20SF%20IncomeGuide.asp) is meant to help aid Mortgage Lenders in determining income. The maximum family income for all mortgagors in targeted and non-targeted areas, as the case may be, has been established by the Board as set forth in Exhibit A hereto.

(14) The Board purchases Mortgage Loans at more than 100% to pay lenders for origination fees and points. The chart below indicates the percent above 100% the Board will pay lenders for each type of loan. If the borrower pays the origination fee and points, the Board purchases the loan at 100% and lowers the interest rate on the loan by 1/8 of a percent. Borrower charges cannot exceed the percentage of the loan amount indicated in the chart below. Whether the Board or the borrower pays the origination fee and points, the Lender may not charge additional points for the origination of the Mortgage Loan. Additionally, if the reservation is cancelled a one half percent (.5%) cancellation fee may be charged to the Lender.

(15) If a Mortgagor cancels a commitment or reservation for a Mortgage Loan under a previous program of the Board to swap for a loan under a newer program, said Mortgagor will not be allowed to continue to participate in the Board's 2008 Homeownership Bond Program.

Loan types and fees paid to lenders:

Loan Type	Origination fee and points paid to Lender	Servicing Release fee when servicing is sold	Total upfront fee from MBOH	Ongoing servicing fee from MBOH if retain servicing
FHA and HUD 184 loans	1.5%	Determined by seller and purchaser	1.5%	.375
VA	1.5%	Determined by seller and purchaser	1.5%	.375
RD Option 1: originating lender retains servicing	1%	NA	1%	.25
RD Option 2: sell loan and servicing to U.S. Bank	1.5%	0.5%	2.0%	NA
RD Option 3: sell loan to US Bank with in-state Subservicing with Streeter Bros.	1.5%	0%	1.5%	NA
Private Mortgage Insurance & Deep Equity: sell loan & servicing to US Bank	1.5%	0.5%	2.0%	NA
Private Mortgage Insurance & Deep Equity: sell loan and servicing to US Bank with subservicing instate from Streeter Brothers	1.5%	0.0%	1.5%	NA

(16) FHA, VA, and RD Mortgage loans for which servicing is being retained by the originating lender, shall be tendered for sale to the Board within 45 days following execution of the note by the mortgagor. If the Mortgage Lender fails to deliver such loans within 45 days after origination, the purchase price will be reduced by one-half of one percent (0.50%) of the loan amount for each 30 days the loan is not delivered. Failure to deliver complete purchase packages may result in MBOH returning the purchase package to the lender under the following circumstances:

- a. if initial package is missing any of the following; the recorded deed of trust, the original signed note, and the original recorded or Clerk and Recorder's certified copy of the executed Assignment of Trust Indenture to MBOH ;
- b. if lender fails to send in all of the missing documents at one time, i.e., MBOH won't accept the package if lender sends in missing documents piecemeal;
- c. if missing documents for purchase package are delayed by more than 90 days.

To determine the accrued interest for purchase and interest on monthly mortgage payments, multiply the number of accrual days by the outstanding principal balance, and divide by the 360 day factor which is 5647.06 for the 6.375% rate and 5538.46 for the 6.5% rate (rate subject to change at Board's discretion). To determine the accrued interest for payoff, multiply the number of accrual days by the outstanding principal balance, and divide by the 365 day factor which is 5725.49 for the 6.375% rate and 5615.38 for the 6.5% rate (determined by the rate chosen by the Board). The monthly remittances and payoffs can be wired or ACHed to:

**WIRES:** Wells Fargo Bank West, N.A.

ABA#091000019

For Deposit to CK ACCT #0001038377

Credit: Montana Board of Housing

Servicer (3 digit #) \_\_\_\_\_

Send only one wire (all series combined) for each remittance made during the month. You must complete the MBOH Remittance Detail Fax form listing the individual remittance amounts for each series (even if remitting only one series). Fax the form to both Wells Fargo and to the Montana Board of Housing. **See the Remittance Detail Fax form for the appropriate fax numbers.**

**ACH:** Wells Fargo Bank West, N.A.

ABA#091000019

CK ACCT #0001038377

CR ACCT: MT BD OF HSG (Position 55-76; 22 characters)

Servicer (3 digit #) \_\_\_\_\_ (Position 40-54; 15 characters)

Send only one ACH remittance (all series combined) for each remittance made during the month. You must complete the MBOH Remittance Detail Fax form listing the individual remittances for

each series (even if remitting only one series). Fax the form to both Wells Fargo and to the Montana Board of Housing. **See the Remittance Detail Fax form for the appropriate fax numbers.**

Mortgage Lenders will be required to provide the Board with information regarding Mortgage Loans when requested by the Board to comply with the requirements of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

(17) For private mortgage insurance, Deep Equity, and RD loans for which the servicing is not being retained by the originating lender, lenders must submit a compliance package to MBOH within four business days of the closing. MBOH will review the package and inform the originating lender and the Master Servicer as to whether the loan complies with MBOH requirements within two weeks of receipt of the compliance package. The loan purchase package must be sent directly to the Master Servicer in accordance with the requirements established by the Master Servicer.

(18) Mortgage Credit Certificates require lenders to charge a \$400 processing fee, \$200 of which is retained by the lender, and \$200 of which is paid to MBOH.

EXHIBIT A

**Maximum Income Limits As Of March 11,2008**

Area:	<u>PROGRAM ELIGIBILITY</u>		<u>TEMPORARY RECAPTURE TAX LIMITS</u> (March 5 to December 31, 2008)	
	Small**	/Large***	Small**	/ Large***
Billings/Yellowstone	\$61,900	/\$71,185	\$74,280	/ 86,660
City of Billings				
(Census Tract 3)*	74,280	/ 86,660	74,280	/ 86,660
Blaine*	64,320	/ 75,040	64,320	/ 75,040
Carbon County	61,900	/ 71,185	74,280	/ 86,660
Cascade County	53,600	/ 61,640	62,280	/ 72,660
Choteau Co-				
Census Tract 9401*	64,320	/ 75,040	64,320	/ 75,040
City of Great Falls*	64,320	/ 75,040	64,320	/ 75,040
Daniels Co-				
Census Tract 9402*	64,320	/ 75,040	64,320	/ 75,040
Deer Lodge County*	64,320	/ 75,040	64,320	/ 75,040
Fallon County	53,600	/ 61,640	63,120	/ 73,640
Flathead County*	64,440	/ 75,180	64,440	/ 75,180
Gallatin County	64,200	/ 73,830	77,040	/ 89,880
Hill County*	64,320	/ 75,040	64,320	/ 75,040
Jefferson County	63,200	/ 72,680	75,840	/ 88,480
Lewis & Clark County	61,700	/ 70,955	74,040	/ 86,380
Mineral County*	64,320	/ 75,040	64,320	/ 75,040
Missoula County*	66,480	/ 77,560	66,480	/ 77,560
Park County	53,600	/ 61,640	64,080	/ 74,760
Richland County	53,600	/ 61,640	63,720	/ 74,340
Rosebud County	55,300	/ 63,595	66,360	/ 77,420
Sanders County*	64,320	/ 75,040	64,320	/ 75,040
Sheridan Co-				
Census Tract 9402*	64,320	/ 75,040	64,320	/ 75,040
Silver Bow County*	64,320	/ 75,040	64,320	/ 75,040
Stillwater County	59,500	/ 68,425	70,557	/ 81,140
Sweet Grass County	56,200	/ 64,630	67,440	/ 78,680
Toole County	53,600	/ 61,640	63,360	/ 73,920
Valley County	53,600	/ 61,640	62,160	/ 72,520
Other Counties & Areas	53,600	/ 61,640	62,040	/ 72,380

\*Targeted Areas

\*\*Small household is defined as two persons or less

\*\*\*Large household is defined as three persons or more

EXHIBIT B  
Maximum Purchase Price Limits (03/11/08)

Area	Maximum Purchase Price Limits	Maximum Loan Limits	
		<u>FHA</u>	<u>VA, RD &amp; PMI</u>
Billings/Yellowstone	\$237,031	\$200,160	\$237,031
Billings - (Census Tract 3)*	289,705	200,160	237,031
Blaine*	289,705	200,160	237,031
Choteau Co-Census Tract 9401*	289,705	200,160	237,031
Daniels Co-Census Tract 9402*	289,705	200,160	237,031
City of Great Falls*	289,705	200,160	237,031
Deer Lodge County*	289,705	200,160	237,031
Flathead County*	329,863	227,905	237,031
Gallatin County	298,125	251,750	237,031
Hill County*	289,705	200,160	237,031
Mineral County*	289,705	200,160	237,031
Missoula County*	319,688	220,875	237,031
Sheridan Co-Census Tract 9402*	289,705	200,160	237,031
Sanders County*	289,705	200,160	237,031
Silver Bow County*	289,705	200,160	237,031
<u>Other Counties and Areas</u>	237,031	200,160	237,031

\*Targeted Areas